

## Message Text

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ACTION COME-00

INFO OCT-01 EUR-25 IO-14 ISO-00 AID-20 CEA-02 CIAE-00

EB-11 EA-11 FRB-03 INR-11 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-03 LAB-06 SIL-01 SWF-02

OMB-01 TAR-02 STR-08 L-03 DRC-01 /155 W

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R 301722Z JUL 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2620

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, UK

SUBJECT: MTN NONTARIFF DATA BASE - EC SUBSIDY PRACTICES

REF: A) LONDON'S A-2 OF JANUARY 2, 1973; B) STATE A-4194

C) LONDON'S A-1218 OF OCTOBER 5, 1973

1. THE FOLLOWING MEASURES WHICH INDIRECTLY STIMULATE EXPORTS HAVE BEEN INTRODUCED BY HMG SINCE WE SUBMITTED OUR GENERAL SURVEY OF BRITISH FOREIGN EXPORT AND DOMESTIC SUBSIDY PROGRAMS (REF A).

2. THE UK IS NOW IN STAGE III OF ITS COUNTER-INFLATION POLICY. WHILE THE PRICES OF GOODS SOLD DOMESTICALLY ARE CURRENTLY SUBJECT TO CONTROLS, THOSE WHICH ARE EXPORTED ARE NOT. THUS, IN LINE WITH THE LABOUR GOVERNMENT'S POLICY OF EXPORT-LED GROWTH, EXPORT PRICES ARE FREE TO RISE AND ARE NOT SUBJECT TO PROFIT LIMITATIONS. WHILE THIS IS NOT A SUBSIDY, IT IS HAVING THE EFFECT OF MAKING PRODUCERS LOOK MORE CLOSELY AT EXPORTING AS A WAY

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OF SUBSTANTIALLY INCREASING THEIR PROFITS.

3. ONE OF THE MEASURES IN THE LABOUR GOVERNMENT'S "MINI-BUDGET" ANNOUNCED ON JULY 23 WAS A DECISION TO DOUBLE THE REGIONAL EMPLOYMENT PREMIUM. THIS IS A SUBSIDY WHICH THE GOVERNMENT PAYS TO FIRMS IN THE ASSISTED AREAS OF THE UK. THE RATE WILL NOW BE 3 POUNDS A WEEK FOR EACH MALE EMPLOYEE. THE INDIRECT EXPORT EFFECT OF THIS SUBSIDY WAS RECOGNIZED BY THE CHANCELLOR OF THE EXCHEQUER WHEN HE PRESENTED THE MINI-BUDGET TO PARLIAMENT. THE INCREASE, HE SAID, "WILL HAVE LONG-RUN BENEFICIAL EFFECTS BOTH ON REGIONAL EMPLOYMENT AND - THROUGH EXPORT PRICES - ON THE TRADE BALANCE." (SEE REF C FOR A FULL DESCRIPTION OF BRITISH REGIONAL AIDS).

4. ASIDE FROM THESE TWO MEASURES, THE CURRENT SITUATION WITH REGARD TO DIRECT AND INDIRECT EXPORT SUBSIDIES IS, AS FAR AS WE CAN DETERMINE, THE SAME AS THAT DESCRIBED IN REF A.

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## Message Attributes

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